

ams OSRAM sharpens portfolio towards profitability and structural growth; announces profitability for Q2 at the upper end of guidance

- Future portfolio will be focused on differentiated, intelligent sensors and emitters, with an increased commitment towards structurally attractive Automotive, Industrial and Medical markets
- Company continues to pursue differentiated opportunities in Consumer markets, such as microLED
- Group will exit non-core semiconductor businesses with revenue run-rate of EUR 300 to 400 million
- Will take non-cash impairment charges on goodwill of EUR 1.3 billion
- “Re-establish the Base” efficiency program including organizational adjustments, yielding EUR 150 million adj. EBIT run-rate improvements by end of 2025
- Management Board will be reduced to CEO and CFO effective January 1st, 2024
- Q2 revenues of EUR 851 million and adj. EBIT margin of 5.9% at the upper end of the guided range
- Expected Q3 revenues of EUR 840-940 million with adj. EBIT margin of 5-8%
- Preliminary view on FY2024: revenues will decline in 2024 due to portfolio decisions; Free Cash Flow slightly positive; core business to outgrow its target markets assuming end-markets stabilize
- Target Financial Model revised: 6%-10% revenue CAGR based on the reduced base and adj. EBIT of approximately 15% in 2026
- Re-financing considerations are making good progress

Premstaetten, Austria, and Munich, Germany (27 July 2023) -- ams OSRAM (SIX: AMS) presents a strategic re-alignment of the group while reporting second quarter financial results in line with the company's expectation range.

“Over the past months, we have completed a deep analysis of the company to determine the path forward. We have a very strong core, yet we need to take significant steps to improve our performance. We are sharing key decisions today.” says Aldo Kamper, CEO ams OSRAM.

The company is re-focusing its semiconductor portfolio on its profitable core in differentiated, intelligent sensor and emitter components. The non-core and lower performing portfolio with revenues of around EUR 300 to 400 million - including amongst others - passive Optical Components, will be exited.

The automotive and specialty lighting business (Lamps & Systems Segment) with its expanding market leadership position in automotive lamps will continue to contribute meaningfully to the Group's profitability.

ams OSRAM will expand its leading positions in the relevant automotive, industrial and medical (AIM) semiconductor markets. The Group will continue to pursue specific opportunities in the consumer device semiconductor market in product segments where it can achieve sustainable differentiation through cutting-edge innovation. It will focus its internal manufacturing capability on only those platforms that enable it to sustain differentiation versus competitors.

Going forward, investments in the core business such as high-performance LEDs and lasers, mixed-signal analog ICs and sensors will be strengthened further. The Group will continue selected investments into disruptive, future growth areas, such as microLED, but pursue a more balanced resource allocation between emerging and established opportunities.

The “Re-establish the Base” program targets annual savings of EUR 150 million by the end of 2025, approximately half of which is targeted to be realized by the end of 2024. The one-time costs of the program are estimated at EUR 50 million.

As part of this program, ams OSRAM will realize the benefits from the portfolio focusing decisions in the Semiconductor segment, as well as appropriately size the company’s overhead and infrastructure to the new revenue base. Adjustments in the managerial setup of the company will be introduced to strengthen the organization’s ability to monetize its innovation power. This entails forming two Business Units (from previously three) in the Semiconductor segment – one dedicated to emitters, the other dedicated to sensor and analog mixed signal ICs, both with clear end-to-end ownership.

With the divisional entrepreneurship strengthened, the Group moves away from a functional management model in the Management Board. As a consequence, the Group’s Management Board will be reduced to CEO and CFO, effective January 1st, 2024.

In view of the current macro-economic environment, a careful look at the prospects of each business line including some low-performing consumer businesses, revealed that the outlook required a significant reset. This led to non-cash impairment charges on goodwill of EUR 1.3 billion. The outlook for our core business remains positive.

The Group expects to grow its revenues with a CAGR of 6-10% 2023 to 2026 from the reduced base which means the new semiconductor core portfolio in the Semiconductor segment in addition to the Lamps & Systems segment.

At this revenue level and upon full implementation of its “Re-establish the Base” program, ams OSRAM expects to realize an adjusted annual operating margin (adjusted EBIT) of approximately 15% by 2026 onwards.

The Group expects to return to its 10% CAPEX of revenues over the cycle in 2025 after the currently elevated CAPEX levels driven by additional investment into establishing its new and unique 8” microLED technology platform.

Besides its progressing re-financing activities, cash-in from the exit of Semiconductor non-Core businesses and the improved cash flow generation of the core portfolio will also contribute to strengthening the balance sheet.

“Our innovation power helps simplify an increasingly complex world. As we rebuild around our core business, we will benefit from structural growth trends while making the company stronger in target markets with more differentiated offerings. It’s about being a reliable partner to all our stakeholders,” explains Aldo Kamper. “Profitability and monetizing innovation is put at the center of our thinking, whilst keeping our passion for cutting-edge technology that helps make the world safer, simpler and more efficient. This is what I will stand for together with the management team.”

Q2 financial and business update

The Group reports second quarter revenues of EUR 851 million and adj. operating margin of 5.9% in line with its guidance. Excluding deconsolidation effects of EUR 79 million, which includes the sale of Digital Systems Eurasia in Q1, revenues came in essentially flat compared to the first quarter.

Profitability improved slightly, coming in at the upper end of the guidance, but remained subdued especially in view of significant underutilization charges from its production and adverse product mix due to the seasonality in the L&S segment.

The Semiconductor segment, representing 71% of Q2 revenues, or EUR 600 million, showed mixed traction across the various end-markets. The automotive business showed normalizing order-patterns after almost two years of erratic behavior and inventory corrections in the wake of the various macro-economic shocks to the automotive supply chain. Industrial and Medical business performed better than in Q1, but still showed the typical mixed behavior during a macro-economic weak period with certain applications running well such as laser welding and others running very soft such as hyper-red LEDs for Horticulture lighting. The Consumer business showed signs of improvement with an 18% quarter-on-quarter increase due to higher sales from existing supply relationships. Overall, the Consumer business remains challenging for the Group compared to previous levels a year ago as the smartphone market has contracted, certain designs reach gradually End-of-Life, price pressure remains high and won designs are not yet launching until 2024.

The Lamps & Systems segment, representing 29% of Q2 revenues, or EUR 251 million, recorded robust revenues in spite of the typical seasonal decline in the Automotive aftermarket lamps business. The specialty lamps for entertainment and industrial applications sold as expected. Within that, the specialty lamps for semiconductor manufacturing equipment saw softening demand due to the global slowdown in the sector.

With the non-cash impairment of EUR 1.3 billion the IFRS net result was negative at Euro 1.3 billion. Operating Cash Flow increased significantly to EUR 232 million up by EUR 70 million compared to the first quarter.

Quarterly financial summary

EUR millions (except per share data)	Q2 2023	Q1 2023	QoQ	Q2 2022	YoY
Revenues	851	927	-8%	1,183	-28%
Gross margin adj. ¹⁾	27.8%	29.3%	-150 bps	31.6%	-380 bps
Result from operations (EBIT) – adj. ¹⁾	50	50	0%	104	-52%
EBIT margin in % ¹⁾	5.9%	5.4%	+50 bps	8.8%	-290 bps
Net result adj. ¹⁾	31	6	464%	-54	N/A
Diluted EPS adj. ¹⁾	0.12	0.02		-0.21	
Diluted EPS adj. (in CHF) ¹⁾²⁾	0.12	0.02		-0.21	
Operating Cash Flow	232	162	43%	100	132%
Net debt	2,034	1,940	5%	1,727	18%

¹⁾ Excluding M&A-related, transformation and share-based compensation costs, results from investments in associates and sale of businesses

²⁾ Earnings per share in CHF were converted using the average currency exchange rate for the respective periods

“We were pleased to see some stabilizing trends in the Automotive LED supply chain lately. Despite better sales in certain Industrial and Consumer businesses, the macro-economic sentiment in these markets remains very challenging. We worked hard to improve our operational cash flow and will continue to work on improving our profitability”, comments Aldo Kamper.

Third Quarter Outlook

With a strengthening demand for its Automotive products, the Group expects third quarter revenues to improve to a level of EUR 840 – 940 million. The adjusted EBIT is expected to come in at 5% to 8%.

FY2024 comments

The Group will have a lower revenue base in 2024 after exiting non-Core semiconductor businesses. From this new base, including the Lamps & Systems segment, it expects revenues to outgrow its target markets, assuming end-markets stabilize.

The Group also targets slightly positive Free Cash Flow in 2024 with significantly reduced CAPEX compared to 2023, assuming end-markets stabilize.

Half-year report and additional information

Additional financial information for the second quarter as well as the half year report for the first half 2023 is available on the company [website](#). The second quarter 2023 investor presentation incl. detailed information on the strategic update of the group is also available on the company [website](#).

ams OSRAM will host a press call as well as a conference call for analysts and investors on the second quarter results on Friday, 28 July 2023. The press call will take place at 10.00am CEST. Journalists who would like to join the press call can register [here](#). The conference call for analysts and investors will start at 11.00am CEST and can be joined via [webcast](#).

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About ams OSRAM

The ams OSRAM Group (SIX: AMS) is a global leader in optical semiconductors. By adding intelligence to light and passion to innovation, we enrich people's lives.

With over 110 years of combined history, our core is defined by imagination, deep engineering expertise and the ability to provide global industrial capacity in sensor and light technologies. We create exciting innovations that enable our customers in the automotive, industrial, healthcare and select consumer sectors maintain their competitive edge and drive innovation that meaningfully improves the quality of life in terms of health, safety and convenience, while reducing impact on the environment.

Our around 21,000 employees worldwide focus on innovation across sensing, illumination and visualization to

Ad hoc

Strategy update and Q2 2023 results



make journeys safer, medical diagnosis more accurate and daily moments in communication a richer experience. Our work creates technology for breakthrough applications, which is reflected in over 15,000 patents granted and applied. Headquartered in Premstaetten/Graz (Austria) with a co-headquarters in Munich (Germany), the group achieved over EUR 4.8 billion revenues in 2022 and is listed as ams-OSRAM AG on the SIX Swiss Exchange (ISIN: AT0000A18XM4).

Find out more about us on <https://ams-osram.com>

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Consolidated Statement of Income

(unaudited)

in EUR million (except earnings per share)	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Revenues	851	1,778	1,183	2,429
Cost of sales	-650	-1,368	-834	-1,695
Gross profit	201	411	348	733
Research and development expenses	-118	-265	-151	-313
Selling, general and administrative expenses	-108	-250	-157	-313
Other operating income	27	42	160	163
Other operating expenses	-1,324	-1,341	17	-14
Results from investments accounted for using the equity method, net	-2	-10	-1	-1
Result from operations	-1,324	-1,413	216	256
Financial income	7	53	9	13
Financial expenses	-32	-110	-59	-113
Net financial result	-25	-57	-50	-100
Result before income taxes	-1,349	-1,471	166	156
Income taxes	7	-5	-108	-82
Net result	-1,342	-1,476	58	74
Attributable to:				
Non-controlling interests	0	0	0	0
Shareholders of ams-OSRAM AG	-1,342	-1,476	58	73
Basic earnings per share (in EUR)	-5.14	-5.65	0.22	0.28
Diluted earnings per share (in EUR)	-5.14	-5.65	0.22	0.28

Consolidated Balance Sheet

(unaudited)

in EUR million	June 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	841	1,087
Current financial investments	19	21
Trade receivables	435	533
Inventories	804	864
Other current receivables and assets	209	223
Assets held for sale	77	157
Total current assets	2,385	2,884
Property, plant, and equipment	2,008	1,856
Intangible assets	2,272	3,645
Right-of-use assets	216	230
Investment in associates	24	35
Deferred tax assets	68	69
Other non-current assets	50	54
Non-current financial investments	36	59
Total non-current assets	4,674	5,948
Total assets	7,059	8,832
LIABILITIES AND EQUITY		
Liabilities		
Current interest-bearing loans and borrowings	275	169
Trade payables	686	811
Income tax payables	89	87
Current provisions	199	256
Other current liabilities	1,384	1,345
Liabilities associated with assets held for sale	23	50
Total current liabilities	2,656	2,717
Non-current interest-bearing loans and borrowings	2,600	2,635
Employee benefits	168	179
Deferred tax liabilities	72	105
Non-current provisions	44	45
Other non-current liabilities	262	318
Total non-current liabilities	3,146	3,281
Equity		
Issued capital	274	274
Additional paid-in capital	2,056	2,036
Treasury shares	-120	-121
Other components of equity	183	280
Retained earnings	-1,141	358
Total equity attributable to shareholders of ams-OSRAM AG	1,251	2,826
Non-controlling interests	6	7
Total equity	1,257	2,833
Total liabilities and equity	7,059	8,832

Consolidated Statement of Cash Flows

(unaudited)

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Operating activities				
Net result	-1,342	-1,476	58	74
Reconciliation between net result and cash flows from operating activities				
Amortization, depreciation, and impairment ¹⁾	1,446	1,618	141	298
Expenses from stock option plans (acc. to IFRS 2)	1	21	13	24
Income taxes	-7	5	108	82
Net financial result	25	57	50	100
Result from sales of businesses, intangible assets, and property, plant, and equipment	-12	-9	-152	-152
Result from fair value measurement and sale of financial assets	-	0	-10	-10
Result from investments in associates	2	10	1	1
Other adjustments for non-cash items	0	0	-1	-1
Change in current assets and current liabilities				
Inventories	39	11	-72	-107
Trade receivables	88	68	-24	16
Other current assets	2	12	-11	-40
Trade payables	18	-17	30	-19
Current provisions	-69	-53	-57	-72
Other current liabilities	75	195	26	70
Change in other assets and liabilities	-13	-22	13	9
Income taxes paid	-23	-37	-15	-28
Dividends received	0	0	1	1
Interest received	2	10	2	3
Cash flows from operating activities	232	394	100	247

¹⁾ Q2 2023 / 1st Half 2023: EUR 85 million / EUR 196 million for property, plant, and equipment; EUR 1,361 million / EUR 1,422 million for intangible assets

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Investing activities				
Additions to intangible assets and property, plant, and equipment	-263	-565	-97	-210
Acquisitions of subsidiaries, net of cash and cash equivalents acquired ²⁾	-64	-95	-7	-7
Acquisition of financial investments	0	-1	0	-1
Proceeds from sales of investments, intangibles and property, plant, and equipment	5	21	1	5
Proceeds and payments from sales of businesses, net of cash and cash equivalents disposed	78	89	251	251
Cash flows from investing activities	-245	-551	148	39
Financing activities				
Payments from transactions with former non-controlling shareholders	-	-	-	-3
Acquisition of treasury shares	-	0	0	0
Sale of treasury shares	0	1	0	1
Proceeds from loans	151	151	-	0
Repayment of loans	-83	-85	-5	-67
Repayment of lease liabilities	-14	-29	-39	-56
Interest paid	-30	-76	-16	-62
Dividends paid to shareholders of OSRAM Licht AG	-37	-37	-53	-53
Cash flows from financing activities	-13	-76	-112	-239
Change in cash and cash equivalents	-30	-255	200	111
Effects of changes in foreign exchange rates on cash and cash equivalents	-5	-22	65	65
Cash and cash equivalents at the beginning of the period	874	1,098	1,250	1,339
Cash and cash equivalents at the end of the period	844	844	1,450	1,450
Less: Cash and cash equivalent of assets held for sale at end of period	3	3	37	37
Cash and cash equivalents at the end of the period	841	841	1,413	1,413

²⁾ Contained therein EUR -95 million (2022: EUR 0 million) for additional purchases of OSRAM Licht AG shares

Reconciliation from adjusted figures to reported figures in accordance with IFRS

in EUR million	Q2 2023	1st Half 2023	Q2 2022	1st Half 2022
Gross profit – adjusted	237	509	374	786
Acquisition-related expense ¹⁾	-20	-43	-21	-40
Asset restructuring	-11	-34	-	-
Share-based compensation	0	-1	0	-1
Transformation costs	-5	-20	-4	-11
Gross profit – IFRS reported	201	411	348	733
Gross margin in % – adjusted	28%	29%	32%	32%
Gross margin in % – IFRS reported	24%	23%	30%	30%
Operating expenses – adjusted	-187	-409	-270	-556
Goodwill impairment	-1,313	-1,313	-	-
Acquisition-related expense ¹⁾	-21	-42	-27	-42
Share-based compensation	-1	-20	-13	-23
Transformation costs	-8	-31	-2	-10
Result from the sale of businesses	6	0	180	155
Result from at-equity investments	-2	-10	-1	-1
Operating expenses – IFRS reported	-1,525	-1,824	-132	-478
Result from operations (EBIT) – adjusted	50	100	104	230
Goodwill impairment	-1,313	-1,313	-	-
Acquisition-related expense ¹⁾	-40	-85	-48	-82
Asset restructuring	-11	-34	-	-
Share-based compensation	-1	-21	-13	-25
Transformation costs	-13	-51	-6	-21
Result from the sale of businesses	6	0	180	155
Result from at-equity investments	-2	-10	-1	-1
Result from operations (EBIT) – IFRS reported	-1,324	-1,413	216	256
EBIT margin in % – adjusted	6%	6%	9%	9%
EBIT margin in % – IFRS reported	-155%	-79%	18%	11%
Result from operations (EBIT) – adjusted	50	100	104	230
Amortization, depreciation, and impairment (excluding acquisition-related expense) ¹⁾	93	194	114	224
EBITDA – adjusted	143	294	217	453
Result from operations (EBIT) – adjusted	50	100	104	230
Net financing result	-25	-57	-50	-100
Income tax result	7	-5	-108	-82
Net result - adjusted	31	37	-54	48
Basic adjusted earnings per share (in EUR)	0.12	0.14	-0.21	0.18

¹⁾ Acquisition-related expense include amortization, depreciation and impairment of purchase price allocated assets, integration, carve-out and acquisition related costs